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UNCLAS SENSITIVE PARIS 07228

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UNCLAS SECTION 01 OF 02 PARIS 007228

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FROM USOECD PARIS

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TAGS: ECON PREL SENV EU CH TW OECD FR

SUBJECT: CHINA AND CHINESE TAIPEI AT THE OECD: RAISING THE BAR?

REF: (A) PARIS 2868

¶1. (SBU) Summary and action request: China and Taiwan (Chinese Taipei) continue to spar over Taiwan's participation, as a non-member, in the work of the OECD -- work for which statehood is not a requirement. In recent developments, Chinese Taipei has applied to participate in the activities of the Group on Health, while its application to join the Committee on Science and Technology Policy (CSTP) as an observer remains on hold. Beijing has made clear its objections to Taipei's joining the CSTP -- where China is already an observer; China is neither a member of nor an applicant to the Group on Health.

¶2. Action request (see also para. 7): we recommend that the US continue its policy of supporting Chinese Taipei's applications on the merits at the committee or working group level, notwithstanding possible PRC objections. To do otherwise would allow Beijing to unilaterally raise the bar for Chinese Taipei activities at the OECD, and encourage Beijing to make further demands concerning Taiwan both at the OECD and at other international organizations. In maintaining this policy, we acknowledge that the result could be a severe curtailment -- by Beijing -- of the current very active program of OECD-China cooperation. End Summary and action request.

¶3. (SBU) China and Chinese Taipei continue to spar over participation in the work of the OECD (reftel). The OECD accords priority to China, as a key world economy and one of the "BRICS," the five important economies not now members of the OECD (Brazil, Russia, India, China, and South Africa). China is also the focus of the OECD's largest "country program," (featuring extensive OECD-China consultations and resultant policy recommendations from the OECD) and a likely candidate for the OECD's new "enhanced

engagement" program now under discussion, with eventual OECD membership in view, though in the distant future. At the same time, under OECD commitments made to Beijing by then OECD Secretary-General Paye a decade ago, Chinese Taipei participates,

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without symbols of sovereignty, in activities for which statehood is not a requirement -- as an observer in several OECD committees, and as an invited guest (economic officials only, and below the level of minister) at Global Forums and other OECD events. Membership is not in the cards for Chinese Taipei, nor is Chinese Taipei a likely candidate for enhanced engagement. However, "regular outreach" to nonmembers, including committee observerships, remains open to Chinese Taipei.

Taipei and Beijing raise the stakes

¶4. (SBU) Over the past year and a half, Chinese Taipei has ramped up its efforts to participate in OECD work, with applications to be observers in six different committees and working groups. It has also on occasion hinted that it might press to be an OECD member (under a stretched interpretation of the OECD Convention; the OECD legal office disagrees that this would be possible). In reaction, China, no longer content with the previous OECD commitments regarding Taiwan, has moved to raise the bar, objecting to Chinese Taipei's participation as committee observers in general, and threatening -- and in at least one case, acting -- to freeze cooperation with the OECD in order to pressure the organization to keep Chinese Taipei from joining committees as observers.

US Policy

¶5. (SBU) US policy to date has been to defer to the judgment of OECD committees on Chinese Taipei's applications to be observers. The US, of course, is represented on those committees. The committees have examined applications on technical and non-political criteria, looking at factors such as whether applicants are "major players" in the subject matter handled by the committee (e.g., trade, science and technology, health), and whether there would be "mutual benefit" to both the committee and the applicant from an observership. Following examination by subject-matter committees, the External Relations Committee (ERC) then examines and generally endorses the substantive committees' recommendations (for or against), which are then passed to the OECD Council for final approval as an "a" point (i.e., without discussion).

Committee on Science and Technology Policy: China objects

¶6. (SBU) China joined the Committee for Science & Technology Policy (CSTP) as an observer in 2001. Chinese Taipei applied last year for the same status, and the CSTP, with US backing, approved the application. China, however, made known its opposition to inclusion of Chinese Taipei, asserting that Chinese Taipei's application was part of a world-wide campaign to solicit recognition of Taiwan as a state. China also withheld cooperation with the OECD on an innovation policy study of China, pending assurances that Chinese Taipei would not participate in the CSTP's meeting in March 2006 (in any event, Chinese Taipei's participation as an observer was not possible, since the ERC and Council had not yet approved the application). The External Relations Committee finally addressed Chinese Taipei's application, in June, 2006, and referred the matter back to the CSTP for another look -- effectively kicking the can down the road in order to give newly-installed OECD Secretary General Gurria time to get his feet on the ground on this and other issues facing the OECD.

Latest application: Group on Health

¶7. (SBU) Now push has come to shove: on the one hand, Chinese Taipei's application to join the CSTP remains on hold. At the same time, Chinese Taipei has recently applied to "participate in the activities" of the OECD's Group on Health. China is not a member of the Group on Health, nor has it applied for any kind of status there. We believe that the US should continue on the same policy course as before: deferring to OECD committees, and, in those committees, supporting Chinese Taipei's applications when they meet the criteria of the committees. We acknowledge the paramount importance of the China program to the OECD, compared with Taiwan --

and we should of course make this point in our discussions with Beijing. We acknowledge also that Chinese Taipei's sudden storm of applications clearly has political as well as economic motivations -- and we expect that committees would weed out any applications lacking a firm economic or technical foundation. From an OECD point of view, however, to allow China -- as a non-member -- to enforce its views on another non-member's qualifications finds no support in OECD rules, could result in rejection of a qualified applicant (particularly to committees such as CSTP, an area where Taiwan is clearly a major player), and sets a bad precedent with respect to other non-members who may wish to do likewise on other matters (Cyprus issues come to mind). From a US point of view (at least as seen from OECD-Paris), granting China an effective veto on Chinese Taipei's participation would not only likely lead to further demands from China at the OECD (such as renewed pressure to oust Chinese Taipei from Committees on which Taiwan is already an observer -- a request put forward by China's Ambassador to France last January, reftel) but would presumably also result in increased Chinese pressure in other international organizations to raise the bar in a similar fashion.

¶8. (SBU) Action Request: we recommend that the US make it clear -- in the Group on Health, at the CSTP, and in other OECD bodies and activities where statehood is not a requirement -- that its policy with respect to Chinese Taipei remains as before: to consider observership and other applications and invitations "on the merits," in the light of the usual OECD criteria such as major player and mutual benefit, irrespective of Beijing's views. The US should also make clear to the OECD Secretariat that the OECD should be prepared to accept the possible consequences of this policy, such as withdrawal by Beijing of cooperation with the OECD in one or (worst case) all areas of current cooperation. In this context, we and the OECD should of course continue to emphasize to Beijing the paramount importance of China, as evidenced by the China country program, and by China's likely inclusion in the new "enhanced engagement" process and possible future consideration as a member (all in contrast to the treatment of Chinese Taipei), and reiterate our support for the OECD's previous commitments with respect to Taiwan, including use of the term "Chinese Taipei" and avoidance of all symbols of sovereignty.

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